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Bureau of Agricultural Economics
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THE WOOL SITUATION

Summary

The domestic wool price situation was strengthened in March by the announcement of a Federal Government loan program for domestic wool and by slightly higher prices in foreign markets. In view of the relatively large carry-over of wool into the new season, domestic prices, the Bureau of Agricultural Economics says, are not likely to show a material increase until there is a marked improvement in the wool manufacturing situation.

Mill consumption of apparel wool in the United States in February showed some increase over the unusually low level of the previous 3 months. The February consumption, however, was less than half as large as the consumption in February 1937 and was the smallest February consumption in the past 20 years of record.

United States imports of wool thus far in 1938 have been negligible compared with the large imports in the early months of 1937. In view of the present small mill demand and the relatively large stocks of domestic wool, imports in the first half of this year, according to the Bureau, no doubt will be much smaller than in the corresponding months of 1937 and 1936.

Exports of wool from the five principal Southern Hemisphere producing countries for the 1937-38 season through February were 23 percent smaller than in the same period of 1936-37 and smaller for that period than in any of the 10-years 1927-28 to 1936-37. Chiefly as a result of the small exports,

apparent supplies in the Southern Hemisphere countries on March 1 were estimated to be 27 percent larger than a year earlier, and they were 20 percent larger than average March 1 stocks for the 5 years 1932-36.

DOMESTIC SITUATION

BACKGROUND.- In the spring of 1937 domestic wool prices reached the highest level since 1929. As a result of the weakness in mill demand and generally unfavorable business conditions, wool prices declined rapidly both in domestic and foreign markets in the latter part of 1937 and early months of 1938. Domestic prices in February of this year were about 40 percent below the 1937 high point. Stocks of raw wool in the United States have been relatively large since the latter part of 1937, and supplies also are large in Southern Hemisphere selling centers.

Sales and Prices

Wool prices in the domestic market were generally firm after the first week of March but trading continued light. Average prices for combing territory wools at Boston in March were fully 40 percent lower than in February 1937 when domestic prices were at their peak.

Quotations for country packed 3/8 and 1/4 blood bright fleece wools in mixed grade lots from the Middle West were unchanged during March at 24-26 cents a pound in the grease, delivered to eastern markets. Fine combing bright fleece wools at Boston at the end of March averaged 28 cents a pound grease basis, unchanged from a month earlier. Similar graded 3/8 blood wools averaged 27 cents a pound.

Buying of territory wools in March was held chiefly to the finer grades. Sales were small and prices showed little change during the month. Ungraded fine territory wools of staple combing length in original bags were sold at 65 to 67 cents a pound, scoured basis, and shorter combing lengths from 63 to 65 cents at the end of March. Prices of fine Texas wools in original bags at Boston advanced 2 to 3 cents a pound, scoured basis, in March.

A loan program on wool by the Federal Government was approved by the Commodity Credit Corporation in March. The loan will be available to all producers on wool from the 1937 and 1938 clips and will be made at between 15 and 22 cents a pound, on a grease basis, at Boston. Loans will be made after wool has been classified and warehoused under supervision of the Commodity Credit Corporation. Producers may obtain loans on wool stored at eastern and western concentration points with appropriate differentials based on Boston.

Outlook for Domestic Prices

Domestic wool prices are likely to be maintained near present levels during the next few months. The Federal Government loan program for domestic wools will permit orderly marketing of the 1938 clip and should prevent marked price declines which otherwise might occur with heavy marketings of the new clip. In view of the relatively large carry-over of wool into the new season, domestic prices are not likely to show a material increase until there is a marked improvement in the wool manufacturing situation.

Wool Stocks

Stocks of raw wool remaining in the United States at the beginning of the new season on April 1 were much larger than a year earlier and probably were above the average April 1 stocks of the past 10 years. The increase in April 1 stocks over a year earlier was not so great as the increase on January 1. The small mill consumption in the first quarter of 1938 was more than offset by the decline in imports as compared with the same months last year.

Wool Imports

United States imports of apparel wool for consumption were only 3.5 million pounds in the first 2 months of 1938 compared with 50.8 million pounds in January and February 1937 and 21.9 million pounds in 1936. In view of the present weak mill demand and the relatively large stocks of domestic wool, imports in the first half of 1938 no doubt will be smaller than in the same period of 1937 and 1936.

Imports of carpet wool into the United States in January and February were the smallest for those months in the past 15 years.

Mill Consumption

Consumption of apparel wool by United States mills in February averaged 3,023,000 pounds, scoured basis, per week. This was the highest weekly average consumption reported since October but was less than half as large as the consumption in February 1937 and was the smallest February consumption in the past 20 years of record.

The consumption of apparel wool in the first 2 months of 1938 was equivalent to 41 million pounds of shorn wool, greasy shorn basis, and 10 million pounds of pulled wool. Mill consumption on a grease basis in the same months of 1937 was equivalent to 92 million pounds of shorn wool and 15 million pounds of pulled wool.

New lines of fall season fabrics for the men's wear trade were offered by mills the latter part of March. Prices were reported to be considerably below those of a year earlier. Early orders for the new season were reported to be small.

FOREIGN SITUATION

Wool Sales and Prices

London auctions

The second series of 1938 London wool sales opened on March 15. Prices of average fleece wools at the opening were mostly 5 percent lower than at the close of the previous series on February 3, inferior wools were generally 10 percent lower and prices of most sliped wools were about the same as in February. Despite some irregularity during the second week of the sales, prices at the close of the series on March 30 were generally equal to or not more than 5 percent below February prices.

Prices of merino wools at the March sales in London were about 35 percent lower than in March 1937 while prices of most crossbred wools were about 30 percent lower than a year earlier. The next series of London sales will open on May 10.

Southern Hemisphere sales

Wool prices in Southern Hemisphere markets were irregular and slightly lower in February but an increase in prices was reported in the first half of March.

Average prices for fine warp wool in Australia and the Union of South Africa in February were lower than in January and were about 30 percent lower than in February 1937. Increased buying by Japan in Australia was accompanied by higher prices in the early part of March. At the close of the sixth series of the 1937-38 season at Sydney on March 10, prices of all wools were fully equal to the opening prices of the series on January 24. Special descriptions suited to Japanese needs were 5 to 7-1/2 percent higher than in January.

England and Japan purchased considerable wool at the New Zealand sales in March, and prices were reported to be slightly higher than in February.

The South American markets continued quiet in February and prices declined.

Supply Situation in Southern Hemisphere Countries, March 1

As the 1937-38 Southern Hemisphere selling season draws to a close, semi-official reports of downward revisions in 1937 wool production estimates for some countries are being received. These estimates probably are based on the smaller receipts at selling centers so far this season in most of the Southern Hemisphere countries. Practically all reports, however, indicate that stocks held on farms are large, and it is possible that when final returns are available for the season there will be little change from the original estimates. Final wool production estimates for

1937 for the Southern Hemisphere countries will not be available until figures of exports, receipts and stocks are complete for the entire 1937-38 season, as these data constitute the basis for estimating production in those countries.

It is reported from British sources 1/ that the 1937 clip in the Union of South Africa now is officially estimated to be smaller than that of 1936, instead of larger as originally estimated by the South African Department of Agriculture in July. The decrease as compared with last season was reported at about 13 percent, as a result of drought, which is reported to have adversely affected the spring or long-wooled clip. The autumn clip (April-May), on the other hand, is expected to be unusually large.

. The pre-shearing estimate of the National Council of Wool Selling Brokers of Australia, indicating that the 1937 Australian clip was about 4 percent larger than that of 1936, was confirmed in December. It is also supported by the fact that receipts into store for the first three-quarters of the season, through February were 6 percent larger than those a year earlier. In New Zealand the fact that the 1937 lamb crop was the largest on record tends to confirm the indication of large sheep numbers and wool production in 1937.

Some reduction in the original estimate of the Argentine clip may be necessitated as a result of a reported smaller clip from the Far South. According to the latest census, returns of which are just becoming available, the number of sheep in Argentina on June 30, 1936, was 43,790,000. This number is larger than the official estimates for 1934 and 1935 but is 1 percent smaller than the number reported in the 1930 Census. The 1937 Uruguayan clip has recently been reported to be about 10 percent larger than in 1936. Production in the five principal countries of the Southern Hemisphere in 1937 is now estimated at 2,061,000,000 pounds, or about 1.5 percent larger than in 1936.

Notwithstanding any reported downward revisions in the 1937 Southern Hemisphere clip, supplies are large for this time of year as evidenced by stocks at selling centers on February 28. Stocks on that date were estimated to be over 50 percent larger than a year earlier. These visible stocks, however, constitute only about one-third of the apparent supplies, or the estimated quantity for disposal during the remainder of the season. Apparent supplies 2/ are estimated to be 1,256,000,000 pounds. This is 27 percent larger than a year ago and 20 percent larger than average March 1 stocks for the 5 years 1932-36.

Receipts at principal selling centers through February 3/ show a reduction of 1 percent for the five countries combined as compared with the same period of 1936-37, and a reduction of 4 percent as compared with the average for the same period of the five seasons 1931-32 to 1935-36. There has been an increase in receipts at Australian centers of 6 percent as compared with the same period of 1936-37. Receipts were smaller by only 1 percent in New Zealand, 10 percent in the Union of South Africa, 19 percent in Argentina and 24 percent in Uruguay.

1/ Wool Intelligence Notes.

2/ Carry-over plus estimated production minus exports to February 28. No deductions made for relatively small quantity used for domestic consumption and wool sold but not yet exported.

3/ Season begins July 1 in Australia, New Zealand and the Union of South Africa, and October 1 in Argentina and Uruguay.

Exports from the five Southern Hemisphere countries for the 1937-38 season through February amounted to only 893 million pounds, 23 percent smaller than in the same period of 1936-37 and smaller for that period than in any of the 10 years, 1927-28 to 1936-37. In 1929-30 and 1934-35 exports were small but not so small as this season. Thus far only 42 percent of estimated Southern Hemisphere supplies have been shipped compared with 54 percent during the same period of 1936-37 and the 5-year average of 53 percent.

Supplies in Importing Countries

Supplies of raw wool in European importing countries have increased seasonally since December. A sharp reduction in wool imports into the United Kingdom and Belgium since August probably has prevented a piling-up of raw wool stocks in those countries despite recent declines in mill activity. In France, however, there is evidence of some accumulation of raw wool stocks. The shortage of wool supplies in Germany has been relieved in recent months as a result of larger raw wool imports.

Stocks of raw wool in Japanese warehouses declined rapidly in the latter part of 1937. This decline in stocks probably was brought about by the reduction in raw wool imports. Exports of wool to Japan from the five principal Southern Hemisphere producing countries through January of the current season were little more than one-fourth as large as in the same months of the previous season. Stocks in Japan at the end of January were estimated to be smaller than a year earlier.

Wool imports into the principal importing countries, except the United Kingdom and France, were larger in 1937 than in 1936. The increase over 1936 resulted from the large increase in imports during the first half of 1937 as compared with a year earlier. In the last half of 1937 the United States, United Kingdom, Belgium and Japan reported smaller imports than in the same months of 1936. See table 5, page 11.

Manufacturing Activity in Importing Countries

A slight improvement in mill activity and employment in the wool textile industry was reported for the United Kingdom in February. The British Ministry of Labour reports that 20.4 percent of insured workers were registered as unemployed on February 14 compared with 21.1 percent on January 17 and 7.4 percent in February 1937. The British wool manufacturing industry operated at a very high level in 1936 and in the early part of 1937, but activity declined sharply in the final quarter of 1937.

Reports from western Europe and Italy indicate a further reduction in mill activity and increased unemployment in the wool textile industry during February, according to Agricultural Attache' L. V. Steere at Berlin. German mills, on the other hand, maintained wool textile activity in February about at previous levels, largely as a result of domestic demand.

SUPPLEMENTARY DATA

Table 1.- Price of wool per pound in specified markets and prices of textile raw materials in the United States, selected periods, 1936-38

Market and description	Average 1936	Average 1937	1937 Mar.	1938 Jan.	1938 Feb.	1938 Mar.
Boston:	Cents	Cents	Cents	Cents	Cents	Cents
Territory combing scoured basis						
64s, 70s, 80s (fine)	92.0	101.9	113.0	77.4	70.6	69.0
56s, (3/8 blood)	80.4	87.1	95.7	63.4	60.0	58.3
46s (low 1/4 blood)	65.9	72.1	81.0	55.5	51.5	51.0
United States: Farm price, 15th of month, grease basis	26.9	32.0	31.7	21.6	20.2	18.9
London: 1/						
Average quality, clean cost 2/						
70s	58.4	62.1	66.2	45.3	43.9	42.6
56s	35.1	46.3	47.8	33.6	33.5	31.5
46s	23.8	39.5	39.2	29.7	29.3	27.5
Bradford: 3/						
Scoured basis -						
64s warp	59.8	64.7	67.2	46.8	42.8	43.4
50s	29.7	43.2	42.7	33.3	26.1	27.9
Australia:						
Average price at all selling centers, greasy wool 4/	23.0	24.7	29.7	21.1	20.1	
Sydney (Delivered Bradford) 5/						
70s warp, clean basis	10/62.9	11/67.5	73.3	52.6	51.0	
Union of South Africa:						
Average export price, greasy wool	21.4	25.1	26.7	19.6	17.6	
Price at selling centers 6/						
70s warp, clean cost	12/60.5	12/62.9	67.6	51.4	48.8	
Argentina:						
Buenos Aires Market						
Buenos Aires, South and South-east coarse crossbred greasy -						
32s - 50s	13/15.6	---	23.3	17.7	14/16.4	
Uruguay:						
Montevideo Market						
Fine crossbred, greasy -						
50/56s - 60s	34.2	15/39.8	40.2	20.8	16/20.7	
Coarse crossbred -						
32/36s - 44s	23.9	15/30.8	32.9	17.9	16/17.8	
United States:						
Textile fibers -						
Wool, territory fine staple 7/	92.0	101.9	113.0	77.4	70.6	69.0
Cotton, 7/8 Middling 8/	11.9	11.2	14.2	8.5	8.9	8.9
Silk, Japanese 13-15 9/	176.6	136.0	201.2	156.5	159.2	
Rayon yarn - 150 denier	58.6	62.2	60.0	60.0	54.0	

Continued

Table 1.- Price of wool per pound in specified markets and prices of textile raw materials in the United States, selected periods, 1936-38 Continued

Foreign prices have been converted at prevailing rates of exchange. Yearly averages are averages of monthly prices, except United States farm price which is weighted average.

1/ Average of quotations for each series of London sales reported by the London Office of the Bureau. For months when no sales were held figures are interpolated. 2/ Top and noil in oil.
3/ Quotations reported about the 25th of the month by the London Office of the Bureau. 4/ National Council of Wool Selling Brokers of Australia.
5/ Wool Record and Textile World, Bradford.
6/ South Africa Ministry for Agriculture. 7/Scoured basis, Boston market.
8/ Average at 10 markets. 9/ 78 percent white, at New York.
10/ 7-month average. No quotations April to August.
11/ 8-month average. No quotations May to August.
12/ 9-month average. No quotations June to August. 13/ 10-month average.
14/ Average for 3 weeks. 15/ 5-month average. Only months quoted.
16/ First week of February. No quotations for remainder of month.

Table 2.- Exports of wool (grease and scoured combined) from Argentina and Uruguay to principal consuming countries, first 5 months of season, October 1 to February 28, 1936-37 and 1937-38

Country of destination	Argentina		Uruguay		Total	
	1936-37	1937-38	1936-37	1937-38	1936-37	1937-38
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds
United Kingdom	44.5	23.5	12.7	8.1	57.2	31.6
Germany	7.1	23.0	8.8	14.6	15.9	37.6
France	17.0	14.2	2.9	1.7	19.9	15.9
Italy	10.1	1.8	2.7	2.2	12.8	4.0
Belgium	10.7	4.1	5.7	2.4	16.4	6.5
Netherlands	0.6	0.5	0.9	1.4	1.5	1.9
Japan	16.7	1.5	23.0	1/	39.7	1.5
United States	52.5	3.3	22.3	0.3	74.8	3.6
Total	159.2	71.9	79.0	30.7	238.2	102.6
Other countries	7.2	5.2	.9	1.7	8.1	6.9
Grand total	166.4	77.1	79.9	32.4	246.3	109.5

Trade reports supplied by Buenos Aires Office of the Bureau of Agricultural Economics.
1/ If any included with "others".

Table 3.- United States: Wool imports, consumption and machinery activity, specified periods, 1936-38

Item	Jan.-Dec.	1937			1938	
	1936	1937	Jan.	Feb.	Jan.	Feb.
	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds
Imports for consumption, actual weight 1/-						
Apparel	110,712	150,160	25,121	25,682	2,068	1,462
Finer than 40s	84,759	126,601	21,195	22,625	1,517	1,146
Not finer than 40s	25,953	23,559	3,926	3,057	551	316
Carpet, including camels hair	143,276	172,091	21,177	20,092	2,654	2,173
Consumption, scoured basis 2/-						
Weekly average -						
Apparel	5,351	4,772	5,774	6,455	2,542	3,023
Carpet	2,029	2,023	2,629	3,187	734	996
Aggregate -						
Apparel	278,258	248,121	28,870	25,820	12,709	12,090
Carpet	105,504	105,197	13,145	12,748	3,672	3,982
	Percent	Percent	Percent	Percent	Percent	Percent
Machinery activity 2/ - (40-hour shift)						
Worsted combs	121.1	115.2	144.6	152.7	65.7	63.6
Worsted spindles	83.5	82.2	109.0	110.6	50.5	45.6
Woolen spindles	118.2	107.8	134.9	143.3	64.3	76.3
Looms, broad	98.9	97.2	122.5	127.5	67.0	70.0
Looms, narrow	51.9	51.0	69.9	73.4	28.3	28.3
Carpet and rug looms	68.3	71.3	82.0	90.9	35.2	43.2

Import figures from official records of the Bureau of Foreign and Domestic Commerce. Consumption and machinery activity figures from the Bureau of the Census.

1/ Weight of greasy, scoured and skin wool added together.

2/ Figures for January based on 5 weeks, February on 4 weeks, January to December 52 weeks. No adjustment made for holidays.

Table 4.- Wool: Production in specified countries and the world, averages, 1926-30, 1931-35, annual 1935-37

Hemispheres and countries	Averages 1926-30	Averages 1931-35	1935	1936	1937 1/
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds
SOUTHERN HEMISPHERE -					
Australia	926.4	1,010.5	971.1	975.0	2/1,014.0
New Zealand	258.2	281.1	304.3	302.9	3/ 314.0
British South Africa	294.1	269.5	237.8	264.0	4/ 230.0
Argentina	5/327.0	5/360.8	6/364.0	6/373.0	6/ 375.0
Uruguay	140.1	110.6	113.0	116.2	7/ 128.0
Total above countries	1,945.8	2,032.5	1,990.2	2,031.1	2,061.0
Total Southern Hemis.	2,015.8	2,112.2	2,021.4	2,111.7	
NORTHERN HEMISPHERE -					
United States -					
Shorn	310.7	367.3	364.7	360.3	366.3
Pulled	53.6	64.8	66.0	66.2	66.2
Total	364.3	432.1	430.7	426.5	432.5
Total Northern Hemis.	1,214.5	1,270.5	1,281.1	1,302.5	
Estimated world total excluding Russia and China	3,230.3	3,382.7	3,352.5	3,414.2	8/3,500.0

This table includes wool shorn during the calendar year in the Northern Hemisphere and that shorn during the season beginning July 1 or October 1 of the given calendar year in the Southern Hemisphere. Pulled wool is included in the total for many important countries at its grease equivalent. For a table showing all countries see The Wool Situation dated December 10, 1937.

1/ Preliminary.
2/ Pre-shearing estimate of Australian wool selling brokers and wool growers converted to pounds grease equivalent.
3/ Estimate based on sheep numbers at date nearest shearing time and other available information.
4/ Wool Intelligence Notes quoting official sources.
5/ Estimates of the Argentine Ministry of Agriculture.
6/ Estimates furnished by Buenos Aires Office of the Bureau of Agricultural Economics. These are the revised estimates of the Buenos Aires Branch of the First National Bank of Boston.
7/ Estimate based on report from Vice Consul Adam Jr. of a 10 percent increase above a year ago.
8/ Estimate based on returns from 25 countries which furnished approximately 85 percent of world production exclusive of Russia and China in 1936-37.

Table 5.- Wool imports retained by principal importing countries, annual 1934-37 July to December 1936 and 1937

Country and item	1934	1935	1936	1937 Prel.	July - Dec. 1936	July - Dec. 1937
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds
United States -						
Imports 1/						
Apparel wool	29.3	42.0	110.7	150.2	48.9	29.6
Carpet "	79.1	158.5	143.3	172.1	80.8	57.0
United Kingdom -						
Imports	788.5	864.1	913.9	783.8	322.1	270.6
Reexports	268.9	283.2	276.9	231.9	114.8	82.0
Retained imports	519.6	580.9	637.0	551.9	207.3	188.6
Domestic exports	45.8	56.1	46.6	34.0	29.0	11.0
France -						
Imports - shorn	336.9	385.0	353.4	336.8	104.1	128.0
on skins- wool equivalent 2/	43.7	50.5	47.0	43.1	18.1	16.6
Reexports and exports	45.9	47.6	64.4	69.2	38.6	29.3
Import balance	334.7	387.9	336.0	310.7	83.6	115.3
Germany -						
Imports	316.2	272.8	227.7	227.4	78.9	93.3
Reexports and exports	9.8	3.3	0.8	3/	3/	3/
Import balance	306.4	269.5	226.9	227.4	78.9	93.3
Belgium -						
Imports	164.8	235.0	246.9	255.8	100.4	76.9
Reexports and exports	99.6	117.2	106.2	113.0	51.1	37.4
Import balance	65.2	117.8	140.7	142.8	49.3	39.5
Italy -						
Imports 3/	147.2	116.0	42.3	92.8	22.8	41.7
Japan -						
Imports 3/	181.5	243.4	216.8	258.3	40.7	38.1

Compiled from official sources and from "Wool Intelligence Notes" published by the Imperial Economic Committee of the United Kingdom.

1/ Imports for consumption. The item "not finer than 40s" is included with apparel wool for all years. In statistics published by the Department of Commerce, from 1930 to 1935 this item was included with carpet wools.

2/ Estimated at 4/9 of weight of wooled skins.

3/ Reexports are negligible.

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